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FISCAL IMPACT STATEMENT

LS 6773

BILL NUMBER: SB 418

NOTE PREPARED: Jan 19, 2014

BILL AMENDED:

SUBJECT: Redevelopment Commissions.

FIRST AUTHOR: Sen. Smith J

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **X** GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Fiscal Body Approval: The bill provides that a redevelopment commission (commission) may not enter into any obligation payable from public funds without first obtaining the approval of the fiscal body of the unit that established the commission. It provides an exception if the obligation is for the acquisition of real property and the payments are for three years or less or the purchase price is less than \$5.0 M, and it specifies that the approving ordinance or resolution must include certain items.

The bill provides that a commission and a department of redevelopment are subject to oversight by the fiscal body of the unit, including review by the fiscal body of annual budgets.

Eminent Domain: The bill eliminates the power of a commission to acquire property by eminent domain.

Base Assessed Value: It eliminates the law that allows a commission to change the assessment date that determines the base assessed value of property in an allocation area.

Residential Units: It eliminates the authority of a commission to provide financial assistance to enable individuals to purchase or lease residential units.

Use of Property Tax Allocations: The bill specifies that at least 90% of the property taxes allocated to a redevelopment district and paid into an allocation fund must be used to: (1) pay bonds, leases, or other obligations; (2) provide debt service reserve; or (3) pay redemption premiums on bonds.

TIF Expiration: The bill specifies the expiration dates applicable to certain tax increment financing allocation areas (regardless of the date on which the allocation area was established or amended).

Neutralization of the Base Assessed Value: It provides that neutralization of the base assessed value after an assessment may decrease base assessed value only to the extent necessary to provide the property tax proceeds that are required to pay debt.

Base Assessed Value Within an Allocation Area: The bill provides that if the base assessed value within an allocation area is less than 25% of the total assessed value within the allocation area, the base assessed value shall be increased to an amount equal to the lesser of: (1) 25% of the total assessed value within the allocation area; or (2) an amount that will provide the property tax proceeds that are required to pay any bonds, leases, or other obligations.

Allocation Fund Balance: The bill provides that upon the expiration of an allocation area, any balance that is remaining in the allocation fund and that is not required to pay debt for the allocation area shall be transferred to the county auditor and used to provide property tax replacement credits to taxpayers in the county in the following year. It specifies that these provisions also apply to military base reuse areas outside Marion County.

Approved Plans: It provides that a commission may not establish a district or area, unless the fiscal body of the unit that established the commission has approved a plan that includes: (1) a description of the specific projects to be undertaken by the commission with the district or area, and a timeline specifying the beginning and ending dates for those projects; and (2) a description of the bonds, leases, or other obligations that will be issued, entered into, or incurred to finance those projects, and an estimate of the property taxes necessary to pay those bonds, leases, or obligations.

It also specifies that a plan must apply only to one specific project, and that if a redevelopment commission wishes to carry out one or more additional specific projects within the area, the redevelopment commission must adopt a separate plan for those additional projects.

The bill prohibits the amendment of a plan or of a resolution establishing an allocation area.

Relationship to Local Unit: It specifies that a commission and a department of redevelopment are subject to the same laws, rules, and ordinances that apply to all other commissions or departments of the unit.

State Board of Accounts Audit: It specifies that a commission, a department of redevelopment, and a redevelopment authority are subject to audit by the State Board of Accounts and covered by the public meetings and public records laws.

Public Meeting: The bill requires a commission to provide to the legislative body of the unit at a public meeting all the information supporting the action the redevelopment commission proposes to take regarding the sale, transfer, or other disposition of property.

Excess Assessed Value: It provides that if the amount of excess assessed value determined by the commission is expected to generate more than 200% of the amount of allocated tax proceeds necessary to carry out the commission's plan, a determination of the amount of the excess available to other taxing units by the commission must be approved by the fiscal body of the unit. It permits the fiscal body of the unit to modify the commission's determination with respect to the amount of excess assessed value.

Fiscal Officer: The bill requires the treasurer of a commission outside Indianapolis and the secretary-treasurer of a redevelopment authority outside Indianapolis to report quarterly to the fiscal officer of the unit that established the commission or authority. It provides that the Indianapolis controller is the fiscal officer of the commission and redevelopment authority in Indianapolis, and it authorizes the Indianapolis controller to obtain financial services on a contractual basis.

Military Base Reuse Authority: The bill provides that a military base reuse authority in a county other than Marion County may not exercise the power of eminent domain after June 30, 2014. It specifies that after June 30, 2014, in the case of a military base reuse area in a county other than Marion County, the determination that a geographic area is a military base reuse area must also be approved by the unit's fiscal body. It also provides that after June 30, 2014, a military base reuse authority in a county other than Marion County may not amend a resolution or plan for a military base reuse area. The bill provides that in the case of a military base reuse authority in a county other than Marion County, the military base reuse authority may not enter into a lease or issue bonds without approval of the fiscal body.

Effective Date: July 1, 2014.

Explanation of State Expenditures: *State Board of Accounts (SBOA):* Under the bill, redevelopment commissions, departments, and authorities are to be audited by the SBOA. To the extent that SBOA does not currently audit an entity, SBOA would have additional workload. [Each local unit of government is required to pay all or a portion of the expenses of examination by the SBOA. The rate billed is \$45 per day for each field examiner engaged in making the examination.]

Additional Information: The SBOA audit database includes audits of seven redevelopment authorities, including Carmel, Evansville, Fishers, Hamilton, Noblesville, Porter, and Zionsville.

Redevelopment commissions are required to report annually to the executive and fiscal body of the unit that established the redevelopment commission. The report to the executive is also sent to the Department of Local Government Finance (DLGF), which posts the report to the Gateway for Local Government.

Explanation of State Revenues:

Explanation of Local Expenditures: *Summary:* The repeal or conditional use of certain powers and authority of redevelopment commissions and military base reuse authorities outside of Marion County will have indeterminate fiscal impact on redevelopment activities. The requirements for approval of planning and financing may increase reporting and meeting costs for both the commission or authority and the fiscal body of its sponsoring local unit. The may limit the flexibility of commissions and authorities to modify plans through the amendment process and limit plan expansions. The actual impact would depend on local action taken under this bill.

Commissions and authorities would be subject to public meetings law and public records act, which potentially increases costs to the extent that notice of meeting will have to be provided and records must be available for public inspection.

The bill would require redevelopment commissions or military base reuse authorities to make necessary business model and planning changes after July 1, 2014, in order to comply with the provisions of the bill.

For Indianapolis/Marion County, the city controller would be the fiscal officer of the redevelopment commission. The controller would be permitted to contract for financial services, and any resulting fiscal impact would depend on whether the controller contracts for financial services and the terms of the contract. Also, the secretary-treasurer of a redevelopment authority would be required to report quarterly to the fiscal officer of its sponsoring unit.

Additional Information:

Oversight: Under current law, a county or municipality may create a redevelopment commission, and a unit that has enacted a commission may create a redevelopment authority. In Marion County, a Department of Metropolitan Development may be established. Under this bill, the legislative or fiscal body of the taxing unit that created the redevelopment commission or department would have oversight over:

1. The budget and tax levies;
2. The issuance of certain debt or obligations, including the execution of leases; and
3. The sale or disposal of property.

Under the bill, an area needing redevelopment could only be designated with the approval of the fiscal body and each project within the area would require a separate plan. The provisions for amendment of the plan are repealed. The bill would also repeal a redevelopment commission's powers of eminent domain, which potentially may increase the acquisition of property costs in certain circumstances.

The sponsoring entity's fiscal body would not need approval of an obligation for a real property purchase if either the purchase price does not exceed \$5 M or the repayment period does not exceed three years. However, the legislative or fiscal body would be required to specifically approve the maximum payment or lease amounts as well as the maximum interest rate.

Under the bill, oversight and application of open meetings and records acts could increase reporting and records costs from the following sources.

1. The treasurer of a redevelopment commission outside Indianapolis would report quarterly to the fiscal officer of the sponsoring unit which would minimally increase costs.
2. The entity could also incur costs for SBOA audits (see *Explanation of State Expenditures* above).
3. The entity could incur additional expenses to post meeting information in compliance with the open meetings statutes, and to maintain and provide records under the public records laws. The added expenses would depend on the number of meetings and information requests.

Excess Assessed Value Determinations: In a TIF area, captured tax payments are allocated to the redevelopment district and may be used to repay debt and for a variety of uses related to the operations of the redevelopment commission. Under this provision, 90% of the tax payments must be used for debt, reserve, and lease payments, and using excess for taxpayer credits would be repealed.

If the amount of tax payments exceeds the needed for allowable purposes, under current law, the excess is distributed to the taxing units in the allocation area. Under the bill, the if the excess is more than 200% of the amount necessary to repay debt or leases, the redevelopment commission must obtain the approval of the unit's fiscal body for the allocation. The fiscal body may approve or modify the allocation.

When an allocation area expires and there is a balance in an allocation fund, the balance may be distributed as a property tax replacement credit to taxpayers.

Reporting: Under current statute, effective July 1, 2013, on March 15 of each year, redevelopment commissions are required to report to their unit's executive concerning their obligation activities for the proceeding calendar year. Before August 1 of each year, redevelopment commissions are to report to their units concerning TIF areas. And by October 1 of each year, redevelopment commissions will report to the Department of Local Government Finance concerning revenues and expenditures, fund balances, and obligations owed and payments made on obligations. Redevelopment commissions will also provide a list of parcels within the TIF district and some details concerning those parcels.

Explanation of Local Revenues: *Allocation Area Expiration:* Current law expiration dates of allocation areas would be repealed and they would be replaced with specific dates.

Base Assessed Value: A redevelopment commission would not be able to reduce the base assessed value of an allocation area below 25% of the assessed value, and if it is lower, it would have to be increase to the lesser of 25% or the amount needed to pay debt, leases, or other obligations or reserves. If a redevelopment commission has reduced the base value below 25%, the surrounding unit would receive a larger portion of the tax revenue within allocation area.

Additional Information:

Allocation Area Expiration: For allocation areas established before July 1, 2014, and for which no bonds or other obligations payable from allocated taxes are outstanding on December 31, 2014, the allocation area expires on January 1, 2015. For those established after June 30, 2014, the allocation areas expires on January 1 of the second year following the year the allocation area is established if not bonds or obligations payable from allocated taxes are outstanding. Current law maximum expiration dates are between 25 and 30 years, depending on the date the allocation area was established. It is therefore conceivable that the county may receive additional funds to provide property tax replacement when the allocation fund balance is transferred after the expiration of the allocation period.

Base Assessed Value: In 2012 there were 649 TIF districts in 428 taxing districts. There was no TIF in 1,585 taxing districts. A total of \$20.8 B in net AV was allocated to TIF districts on which \$547.5 M in net taxes was billed. Just over 7% of total net assessed value and about 8.7% of net taxes were allocated to TIF. Only the Marion Franklin Oak Hill, Grant County taxing district is a single TIF district. Other TIF districts reside within other taxing districts. In this taxing district, the TIF district receives 100% of the net tax.

One way in which the assessed value may be reduced is to change the reassessment date. The bill repeals St. Joseph County's specific statutory authority to change reassessment date.

State Agencies Affected: SBOA.

Local Agencies Affected: Units authorizing redevelopment commissions departments, and authorities; redevelopment commissions, departments, and authorities; Indianapolis Controller.

Information Sources: SBOA Audit Database
<http://www.in.gov/legislative/interim/committee/prelim/STFP07.pdf>

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